

STATE FAIR PARK

Partnering Committee Report & Recommendations

**Presented To Governor Mike Johanns
and the Nebraska Legislature**

January 15, 2004

TABLE OF CONTENTS

| | |
|---|-----------|
| Section A. Introduction | 4 |
| <i>A1. Partnering Committee and the Governor's Charge.....</i> | <i>4</i> |
| <i>A2. Purposes of a State Fair</i> | <i>4</i> |
| <i>A3. State Fair Park and the State Fair Board.....</i> | <i>5</i> |
| Section B. State Fair Park's Problems & Challenges | 8 |
| <i>B1. Summary.....</i> | <i>8</i> |
| <i>B2. State Fair Park's Recent Losses.....</i> | <i>9</i> |
| <i>B3. State Fair Park's Ten Year Fiscal Picture.....</i> | <i>9</i> |
| <i>B4. State Fair Attendance Records.....</i> | <i>11</i> |
| <i>B5. What Has Contributed to the State Fair Problems.....</i> | <i>11</i> |
| Section C. The Opportunities..... | 24 |
| <i>C1. Economic Impact Study.....</i> | <i>24</i> |
| <i>C2. State Fair Has Many Strengths.....</i> | <i>24</i> |
| <i>C3. Antelope Valley Projects.....</i> | <i>25</i> |
| Section D. Potential Solutions – Need to Implement an Alternative State Fair Concept..... | 26 |
| <i>D1. Existing Conditions and Four Basic Alternative Concepts.....</i> | <i>26</i> |
| <i>D2. Concept A.....</i> | <i>26</i> |
| <i>D3. Concept B Alternatives</i> | <i>26</i> |
| <i>D4. Comparison of State Fair Park under Concepts A, B1, B2, B3, B4, & D.....</i> | <i>27</i> |
| <i>D5. The Committees Preference: Concept B2 - Joint State and Lancaster County Fairs at State Fair Park.....</i> | <i>31</i> |
| <i>D6. A Note of Caution to Concept B's</i> | <i>37</i> |
| <i>D7. Concept C--Mix and Match; Off-Site Campuses Alternative.....</i> | <i>37</i> |
| Section E. The No State Fair: Concept D | 41 |
| <i>E1. Parcels: State Fair Park has three unique parcels of land</i> | <i>41</i> |
| <i>E2. Floodplain.....</i> | <i>41</i> |
| <i>E3. Infrastructure.....</i> | <i>42</i> |
| <i>E4. Access</i> | <i>43</i> |
| <i>E5. Security/Policing.....</i> | <i>43</i> |
| <i>E6. Historical Buildings.....</i> | <i>44</i> |
| <i>E7. Building Conditions.....</i> | <i>45</i> |
| <i>E8. Environmental Conditions</i> | <i>45</i> |
| <i>E9. Estimated Value of State Fair Park</i> | <i>45</i> |

| | |
|--|------------|
| <i>E10. State Military Department Area: West of State Fair Park on Military Avenue between N. 10th and N. 14th Streets</i> | <i>46</i> |
| <i>E11. State of Nebraska Land Disposal Policy</i> | <i>47</i> |
| Section F. Glitz and Pizzazz (Programming) Strategies..... | 52 |
| <i>F1. State Fair Staff Strategies.....</i> | <i>52</i> |
| <i>F2. Partnering Committee's and Staff Group's Top Strategies to help create and program a better State Fair</i> | <i>54</i> |
| Section G. Capital Building and Infrastructure Strategies | 58 |
| <i>G1. Master Plan.....</i> | <i>58</i> |
| <i>G2. Capital Building Improvements</i> | <i>58</i> |
| <i>G3. Infrastructure Upgrades.....</i> | <i>60</i> |
| Section H. Revenue Sources | 61 |
| <i>H1. State of Nebraska Sources.....</i> | <i>61</i> |
| <i>H2. Lancaster County Sources.....</i> | <i>63</i> |
| <i>H3. City of Lincoln Sources</i> | <i>64</i> |
| <i>H4. Private Sector Sources.....</i> | <i>65</i> |
| <i>H5. Not Viable Funding Sources</i> | <i>67</i> |
| Section I. Action Plan Summary | 68 |
| <i>I1. Action Plan.....</i> | <i>68</i> |
| <i>I2. Action Plan's Twenty Year Cash Flow Analysis</i> | <i>70</i> |
| Appendix 1..... | 72 |
| Appendix 2..... | 74 |
| Appendix 3..... | 76 |
| Appendix 4..... | 79 |
| Appendix 5..... | 83 |
| Appendix 6..... | 84 |
| Appendix 7..... | 85 |
| Appendix 8..... | 94 |
| Appendix 9..... | 100 |
| Appendix 10..... | 101 |

Section A. Introduction

A1. Partnering Committee and the Governor's Charge

At the October 2003 meeting of the State Fair Board, there was a public admission that the State Fair and its campus (State Fair Park) was in a dire short term and long term financial crisis. The short term crisis of \$400,000 deficit was quickly raised thanks to the generosity of the Horsemen's Benevolent & Protective Association, Nebraska State Fair 1868 Foundation, 4-H Foundation, State of Nebraska and other funders and friends. This amount should enable the occurrence of the 2004 State Fair. Beyond this year's State Fair, there is the long term financial challenge to create a new viable model that will sustain the State Fair for future generations to enjoy. Otherwise, the State Fair will need to cease operations, which presents another set of serious issues.

To help with this daunting task of finding a new model, Governor Mike Johanns, Mayor Coleen Seng, Chancellor Harvey Perlman, LPS Superintendent Phil Schoo and Lincoln Chamber of Commerce President James Fram, asked several community and governmental leaders to work closely with the State Fair Board to help study the problems and opportunities and to recommend a set of concepts for a viable State Fair. This unofficial effort is known as the "Partnering Committee." This Committee has no formal power or authority. It merely represents an effort by a group of citizens, volunteering hundreds of hours, to address an important State asset – the State Fair. The Governor charged the informal group to "think outside the box" and make its findings and recommendations to the Legislature and the Governor by January 15, 2004.

During November and December 2003, the Partnering Committee met five times. In addition, a "Staff Group" met five other times to provide technical guidance and help generate "facts and data" for the Partnering Committee's consideration. Appendix 1 contains the 17 members of the Partnering Committee and the 23 members of the Staff Group.

On January 9, 2004, a draft of this report was presented to the State Fair Board for their input and advice. After discussion, the State Fair Board unanimously passed a motion supporting the overall "concepts" contained in this report, recognizing that over time, with more detail dialogue, specific actions and recommendations contained in this report will be modified by the State Fair Board and/or other key stakeholders.

A2. Purposes of a State Fair

Traditionally, a state holds a state fair to:

- Celebrate the progress of the state
- Provide exhibit spaces for agriculture, commercial and industry

- Educate and provide information to youth and adults
- Provide an energetic setting for reunions of families and friends
- Encourage and foster economic development
- Entertain its citizens

While a certain percentage of visitors appreciate the celebration, exhibits, educational value, reunions, and economic development, the vast majority of people attending a state fair come to be entertained. This report often refers to the entertainment aspect as the “glitz and pizzazz.” In short, the reason the Nebraska State Fair has serious economic troubles is, the recent State Fairs have been missing glitz and pizzazz. Some of the missing entertainment pieces result from a lack of cutting edge programming, while other missed opportunities and difficulties arise from use of antiquated and obsolete facilities and buildings.

A3. State Fair Park and the State Fair Board

State Fair Park is a 251 acre tract located near North 17th & Holdrege Streets, Lincoln, Lancaster County, Nebraska. A site map of State Fair Park is shown in Figure 1. While located in the center of the City, ironically State Fair Park is not within the City limits, but is an island of the County surrounded entirely by the City of Lincoln. The State of Nebraska, under the stewardship of the State Department of Administrative Services, is the owner of the land and buildings within State Fair Park. In turn, the State of Nebraska (similar to a landlord) has a 10-year Operating Agreement with State Fair Board (similar to a tenant) to operate, manage, maintain and repair the State’s lands and buildings. In exchange, State Fair Board receives and uses all the net income off the State’s land and buildings. Each year, the Operating Agreement between the State of Nebraska and State Fair Board is automatically extended for another year.

The State Fair Board is comprised of 13 board members and is a not for profit 501 (c) (5) organization set out in the Nebraska State Statutes to operate the State Fair. Operating over a \$8 million annual budget, State Fair Board employs 75 year-round employees and 550 seasonal employees. Presently, the State Fair budget and operations centers around four primary programming areas:

1. **State Fair** (10 day event held at the end of August and the first part of September).
2. **Live horse racing** (34 days of live horse racing and betting, generally held from the middle of May to the middle of July).
3. **Simulcast horse racing** (televised horse races from other tracks around the nation and betting, comprising 240 days generally held year-round.)
4. **Off-season events** (other scheduled events using the property and facilities throughout the year).

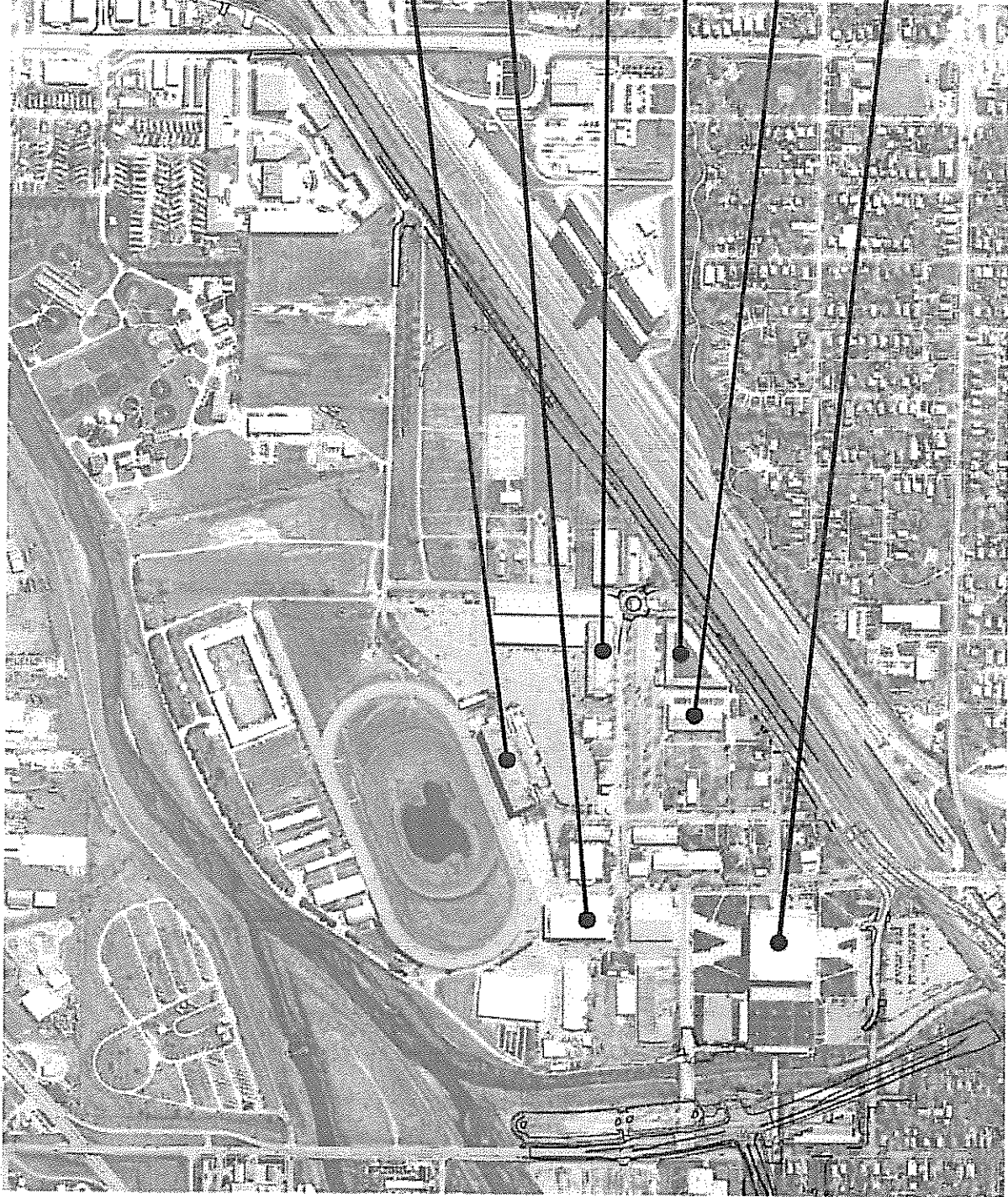
All operating costs and building improvements and infrastructure upgrades are funded by revenue generated by the four operating areas. The State Fair Board

Section A

has historically been self-sustaining and received no direct State support or funding except:

- Prior to 2002, the State appropriated funds to assist for 4-H and FFA operating costs and premiums. The amount of the annual appropriated funds varied year to year, but the highest level was \$300,000. When the State had to make major spending cuts in 2002, the 4-H and FFA operating costs and premiums were eliminated from the biannual state budget. A one time federal grant for \$293,000 was secured to fund the 4-H and FFA programs in 2002. But no State or Federal operating monies were available in 2003 nor are monies available for the coming 2004 State Fair.
- In the last 10 years, the State Fair Board received \$247,000 from the State of Nebraska Task Force for Building Renewal (309 funds) for building and infrastructure rehabilitation.
- In 2003, the State made a \$500,000 general appropriation for electrical improvements.

Section A
Figure 1



**CURRENT CONDITION @ STATE FAIR PARK
w/ ANTELOPE VALLEY IMPROVEMENTS**

Section B. State Fair Park's Problems & Challenges

B1. Summary

In recent years, the State Fair Board has seen its costs go up faster than its revenues, creating approximately \$1.1 million of liabilities and serious cash flow problems. Last year the State Fair Park loss was \$724,000 and over the last three years, losses have totaled \$2,358,000. Every building has significant problems ranging from ADA deficiencies, significant code issues, deferred maintenance (e.g., leaky roofs) or poor energy management (e.g., inadequate windows, heating systems, lacking air conditioning or poor air handling).

Meanwhile, the State's economy has been weak. Responding to the slow down, the State Fair Board made budget cuts that may have hurt gate receipts and ticket sales. Horse racing historically brought in excess revenues to support the State Fair and to make needed facility improvements. But in the last twenty years, horse racing has trended downward. In 2003, horse racing at State Fair Park registered an accounting loss. Some horse racing officials believe that if the State Fair Board more accurately allocated its indirect overhead expenses, horse racing, and in particular simulcast horse racing, would not show a loss.

The days of the State Fair Board generally being self supporting appear to be gone. It is clear that without additional funding to provide more glitz and pizzazz in programs and to improve the physical condition of the property, State Fair Board will have no choice but to:

- (i) cease doing business and stop the 135th year continuous tradition of a State Fair;
- (ii) declare bankruptcy and try to get court approval of a viable reorganization plan under the protection of bankruptcy; or
- (iii) hope the Board can renegotiate and amend its operating agreement with the State of Nebraska and shift many of the building and/or operating liabilities back to the State as landlord.

How do the citizens of the State help to recreate the glitz, pizzazz and a stronger sense of State celebration within buildings and facilities that are generally antiquated, suffering major design obsolete and in need of major repairs?

The decision to close down the State Fair creates a serious ripple effect. LB 236 that created the new State Fair Board states that its mission is to produce the State Fair. If the State Fair ceases, then it would be problematic for the State Fair Board to elect to continue to operate horse racing or off-season events. This would leave the Horsemen's Benevolent & Protective Association and the horse racing industry in the precarious position of having to determine whether to take over horse racing operations at State Fair Park. Even if the horse racing industry

would desire to take over horse racing at State Fair Park, there are a series of major legal and policy issues that may be difficult to overcome.

B2. State Fair Park's Recent Losses

It is an understatement to say State Fair Park has serious economic problems. At the end of 2003, State Fair Park was saddled with \$1.1 million of liabilities. From an accounting point of view, all four of the State Fair Park's primary programming areas lost monies in 2003. See Figure 2. As the losses continue, the debt will increase and more cuts will have to be made. The cuts will likely lead to a greater drop in quality programming and products, which will promote harm to revenue and attendance—thus leading to additional losses.

| State Fair Park 2003 Losses* Income Statement Figure 2 | | | | |
|--|-------------|-----------------|-----------------------|-------------|
| Program Area | Revenue | Direct Expenses | Net Indirect Expenses | (Losses) |
| State Fair | \$2,076,600 | \$1,525,928 | \$757,674 | (\$207,002) |
| Live Horse Racing | \$2,027,912 | \$1,783,039 | \$454,205 | (\$209,332) |
| Simulcast Horse Racing | \$3,670,040 | \$2,786,455 | \$1,016,411 | (\$132,826) |
| Off-Season Events | \$771,233 | \$323,273 | \$622,495 | (\$174,535) |
| Total | \$8,545,785 | \$6,418,695 | \$2,850,785 | (\$723,695) |

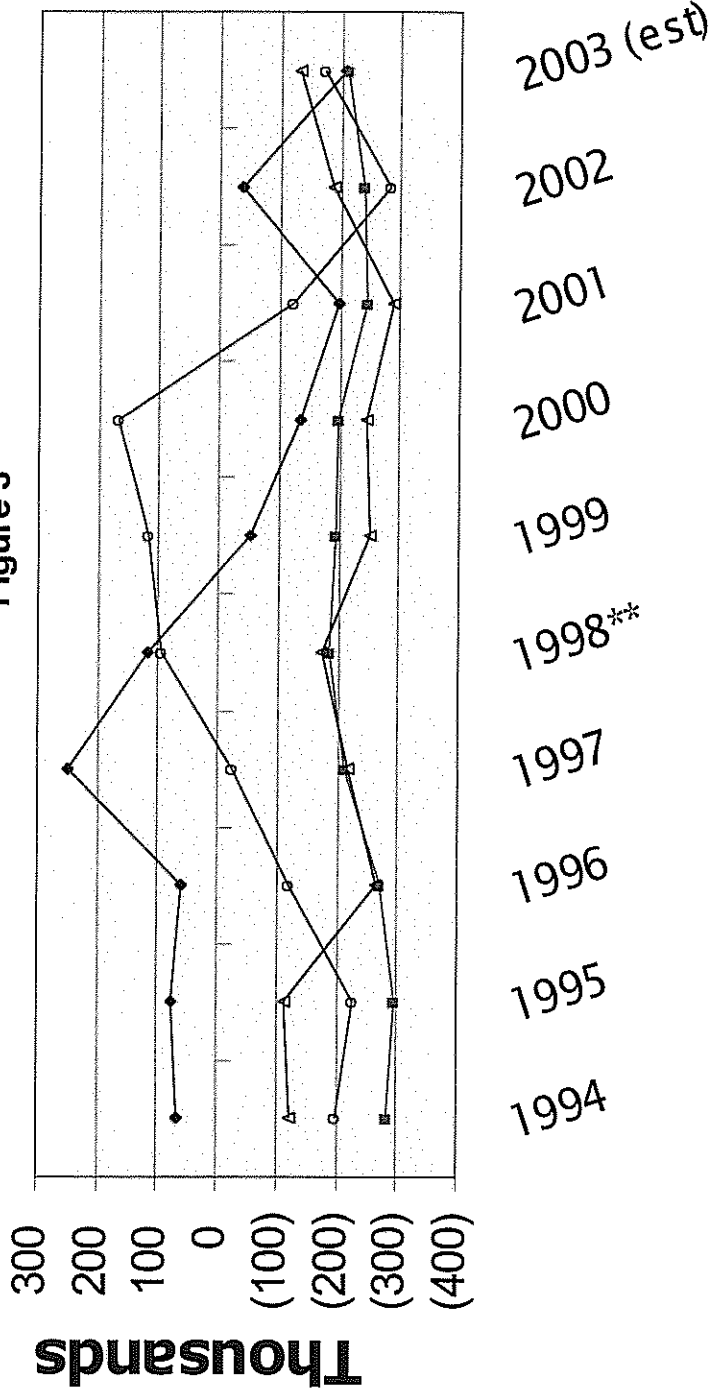
Source: Nebraska State Fair Park Staff

- * Note: 1. Due to the timing of this report, 2003 figures have not been audited and are subject to change. Allocation of indirect figures will change as part of the audit. In addition, 2003 revenue figures are exclusive of any fund-raising contributions.
2. Some people dispute how the State Fair Board allocates its indirect overhead expenses among the four programming areas and believe that if the allocations were more accurate, certain programming areas would not show a loss.

B3. State Fair Park's Ten Year Fiscal Picture

Figure 3 shows the Profit/(Loss) for the last 10 years for the four program areas.

Profit/(Loss) by Area
Figure 3



B4. State Fair Attendance Records

Recent State Fair attendance records (Figure 4 reflect the downward fiscal losses.

| State Fair Attendance Records Figure 4 | | |
|---|------------|---------------------------|
| Year | Attendance | Fair Duration |
| 1909 | 30,000 | over 6 days (estimate) |
| 1919 | 250,000 | over 6 days (estimate) |
| 1942 | 145,000 | over 6 days (estimate) |
| 1963 | 375,000 | over 6 days (estimate) |
| 1997 | 389,000 | over 11 days (gate count) |
| 1998 | 349,000 | over 11 days (gate count) |
| 1999 | 367,000 | over 11 days (gate count) |
| 2000 | 350,000 | over 11 days (gate count) |
| 2001 | 300,000 | over 11 days (gate count) |
| 2002 | 284,000 | over 11 days (gate count) |
| 2003 | 238,000 | over 11 days (gate count) |

Source: Nebraska State Fair Park 2000 Master Plan and Nebraska State Fair Park Staff

B5. What Has Contributed to the State Fair Problems

There is no single problem that has seriously injured the State Fair. There has been a series of contributing factors:

1. More Entertainment & Family Choices

Consumers have many more entertainment choices today. The State Fair is faced with stiffer competition from a variety of entertainment choices, with fewer resources to compete successfully. Meanwhile, Nebraska family units and family happenings, events, and celebrations have changed.

2. Shift from Agricultural to Urban

Changes in agriculture have altered the profile of the State Fair patron. In 1930, 42% percent of the State's population lived on a farm. Based upon the 2000 census, only 5% of the population resides on farms. See Figure 5. The State's population has urbanized. While parents and grandparents may have memories of the farm and attendance of agriculturally based

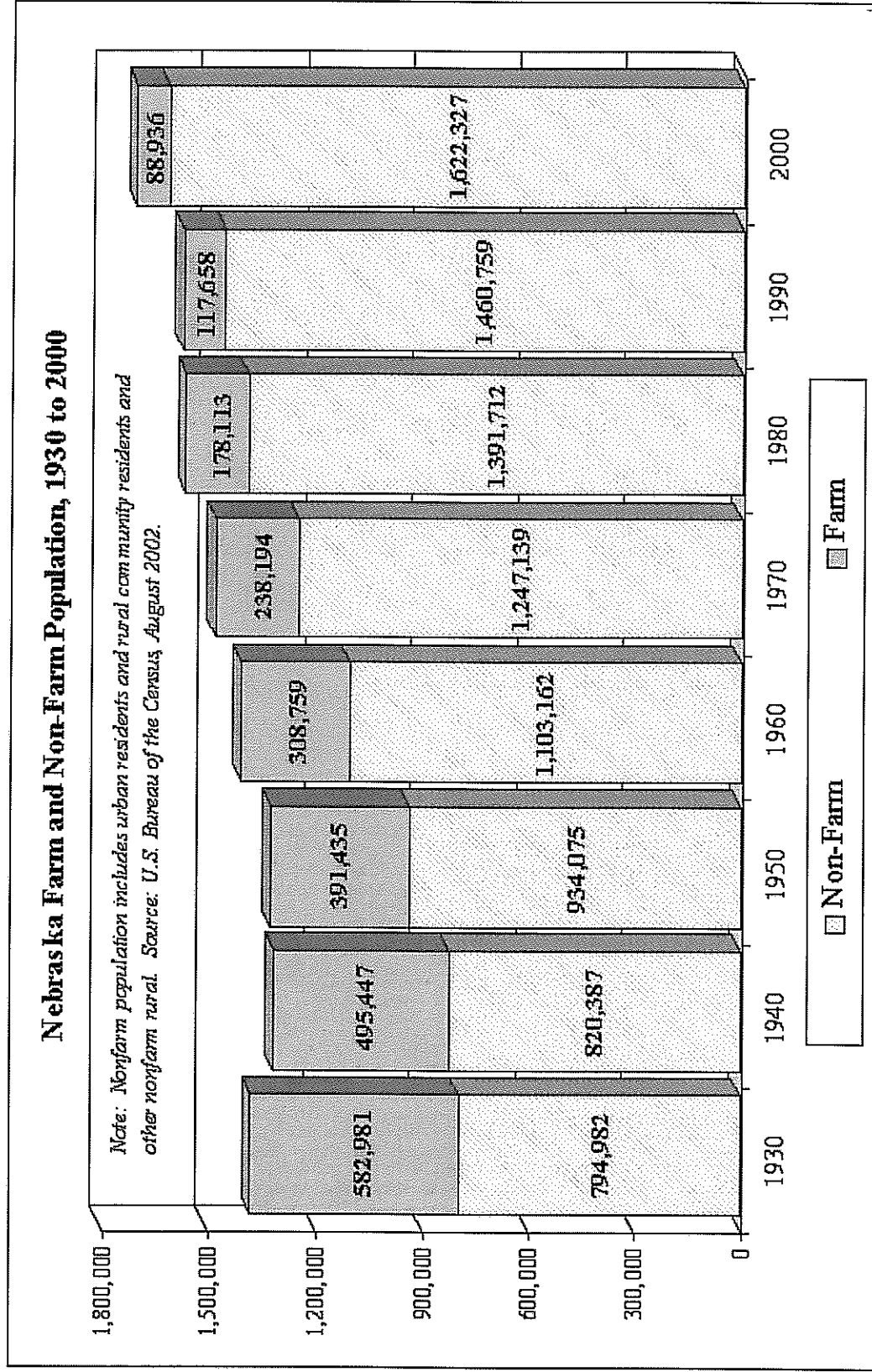
State and county fairs, their children most likely do not relate to farming or to fairs. Demographics show the average State Fair patron is 41 years old, female, with an income of \$39,000 to \$42,000 per year. 44% of the visitors are from Lancaster County, 15% from Omaha and the remaining 41% from the balance of the State. Few University students attend the State Fair.

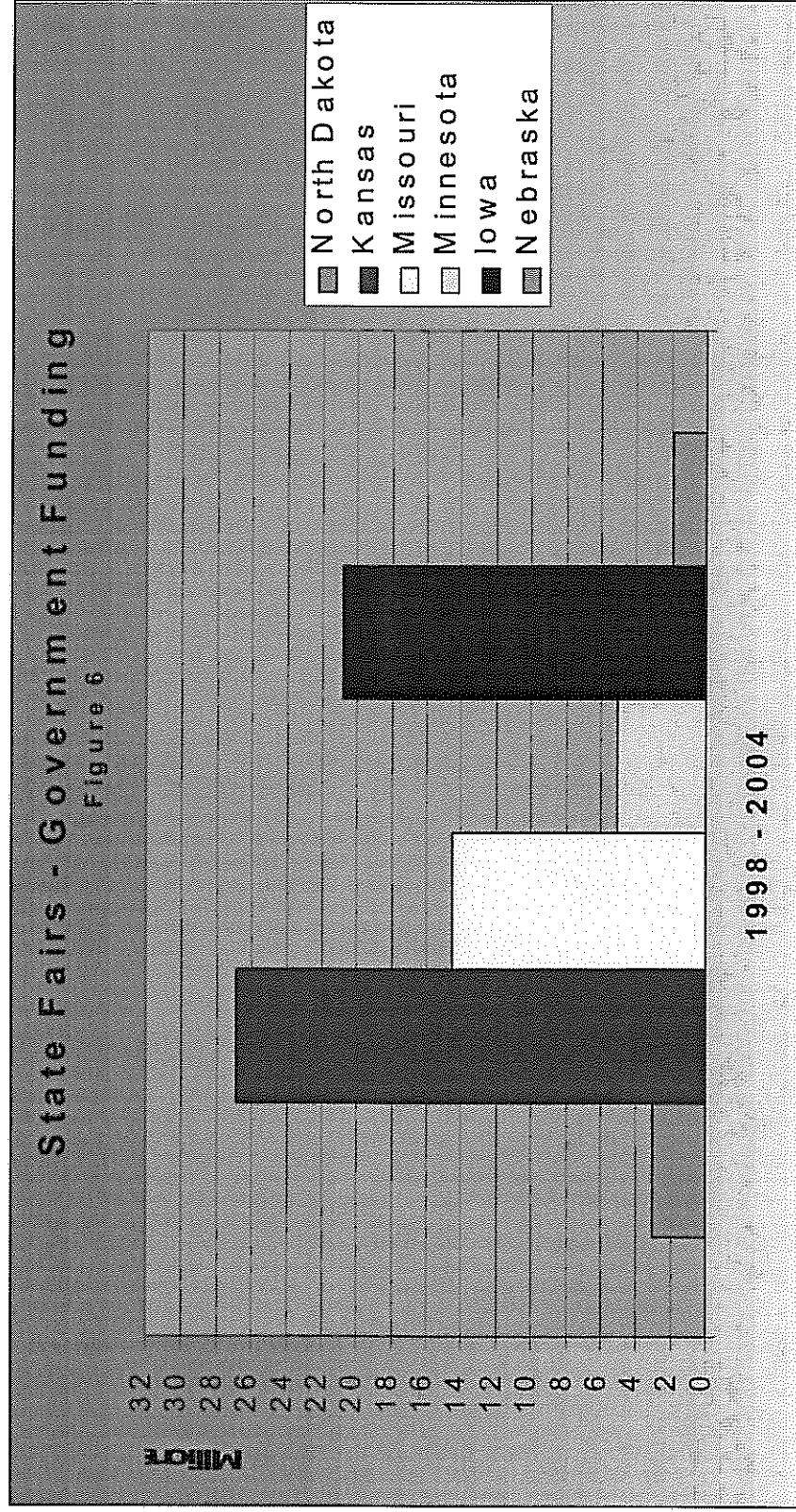
3. The State Fair Has Not Received Enough Governmental Assistance

There appears to be a correlation between a successful state fair and the amount of governmental assistance a state fair receives. Nebraska's State Fair historically receives very little governmental assistance. As a result, programming and entertainment products have suffered. The State Fair Board staff surveyed the states surrounding Nebraska, plus North Dakota and Minnesota which is the "most successful state fair", according to informed sources. The purpose of the survey was to determine the various levels and types of governmental support. Three states did not respond (Colorado, Wyoming and South Dakota).

Every surveyed state's governmental assistance amount exceeded Nebraska's \$1.9 million. Of the responding five states, Kansas led the way with almost \$27 million of governmental support over a seven year period (1998 to 2004). Iowa came in second with over \$20 million, followed by Missouri (\$14 million) and Minnesota (\$5 million). See Figure 6. By far the major type of state governmental assistance is for capital construction projects, followed by programming and finally maintenance of grounds and facilities. See Figure 7.

Section B
Figure 5





Section B

Surrounding States Funding Assistance Comparison

Figure 7

| State | State Capital Construction Projects | State Programming & Operating | State Maintenance | City or County Programming & Operations | Total |
|----------------------------|---|-------------------------------------|----------------------|---|---------------------|
| North Dakota State Fair | \$630,000 | \$1,044,837 | 0 | \$1,351,283 | \$3,026,120 |
| Kansas State Fair | \$26,267,168* | \$666,150 | 0 | | \$26,933,318 |
| Missouri State Fair | 9,314,635 | \$4,672,028 | \$558,450 | | \$14,545,113 |
| Minnesota State Fair | \$5,108,000 | 0 | 0 | | \$5,108,000 |
| Iowa State Fair | \$20,820,000 | 0 | 0 | | \$20,820,000 |
| Nebraska State Fair | \$637,225 | \$1,284,629 | 0 | | \$1,921,854 |
| Total | \$62,77,028 | \$7,667,644 | \$558,450 | \$1,351,283 | \$72,354,405 |

Source: Nebraska State Fair Staff

Note: Kansas State Fair funding includes \$25 million of a total of \$29 million in bonds for master plan projects. The \$25 million is to be paid by state, city and county governments over a 20 year period. The remaining \$4 million will be paid from the Kansas State Fair budget.

For a more detailed breakdown of other states' levels and types of government support, see Appendix 3.

4. Some Program Cuts Drastically Hurt Programming and Increase Losses

Certain cuts in livestock shows, premiums, advertising, and concerts have resulted in less expense, but also in a poorer product, causing lower patron attendance. Bigger losses have resulted from trying to cut expenses. Faced with large liabilities, it is hard to imagine the State Fair Board making still another round of cuts and having the ability to produce programs and products citizens would want to attend or buy.

5. Failure to Attract More Off-Season Events

Other successful state fairs across the country are becoming major “places” 365 days a year. Off-season events (or non-fair events) are generating new revenues to support state fairs. Unfortunately, the off-season events at State Fair Park have not been numerous. The State Fair off-season facilities and space have been hard to market and lease. The facilities are old, in need of repair, and with the exception of Ag Hall and Exposition Building, lack air conditioning. Further adding to the demise, Lancaster County Ag Society’s Event Center at N. 84th Street & Havelock Avenue is a newer mousetrap and has attracted many off-season businesses away from State Fair Park.

6. Serious Building Disrepairs and Deficiencies

Simply put, the State Fair buildings and facilities are getting old and there have not been available monies to set aside for maintenance and repairs. According to the State Fair’s 2000 Master Plan:

“Furthermore, as buildings at State Fair Park age, there is not adequate funding to keep up with maintenance, repair, and code compliance. The result is that many of the buildings at State Fair Park are noncompliant or substandard in the areas of ADA accessibility, fire life/safety, roof and wind conditions, heating and cooling and general conditions.”

The State Fair Board’s architects, Sinclair Hille Architects, estimate to address the important building deficiencies at State Fair Park would cost a minimum of \$6.1 million in 2003 dollars. See Figure 8. Appendix 4 provides a more detailed breakdown of State Fair Park building deficiency issues.

Section B

Figure 8

| Bldg No. | Building Name | Ext'g GSF | ADA | Fire Life/Safety | Deferred Repairs | Energy Conservation |
|----------|-------------------------------------|-----------|-----------|------------------|------------------|---------------------|
| 92 | Horse Barn #10 | 60,480 | | | \$ 8,000 | |
| 93 | Horse Barn #7 | 9,600 | | | \$ 21,000 | |
| 94 | Horse Barn #6 | 9,600 | | | \$ 15,000 | |
| 101 | 4-H Barns / Youth Complex - beef | 55,000 | | | \$ 2,500 | |
| 102 | Youth Complex-Exhib / 4-H Bldg. | 66,825 | \$227,000 | \$ 251,000 | \$ 936,000 | \$ 85,000 |
| 103 | Food Plaza | 13,800 | \$25,000 | | \$ 15,000 | |
| 104 | Coliseum / Ice Box | 79,099 | | | \$ 6,000 | |
| 106 | Exposition Building | 21,000 | \$60,000 | \$ 16,000 | \$ 10,000 | |
| 108 | Grandstand | 156,544 | \$150,000 | | \$ 1,046,000 | |
| 109 | Agriculture Hall | 33,840 | \$32,000 | \$ 246,000 | \$ 8,000 | |
| 110 | Auditorium | 29,019 | \$30,000 | | \$ 187,000 | |
| 111 | Administration Building | 14,362 | \$82,000 | \$ 510,500 | \$ 132,000 | \$ 28,000 |
| 112 | Industrial Arts | 91,695 | \$305,000 | \$ 343,500 | \$ 610,000 | \$ 50,000 |
| 1302 | Youth Complex-Open Arena | 17,000 | \$90,000 | | \$ 2,500 | |
| 1304 | Game & Parks - Old Town | 2,000 | | | | |
| 1305 | Arsenal (leased to NEANG) | 8,370 | \$7,000 | | 70,500 | |
| 1309 | University Museum | 2,000 | \$16,000 | | 23,500 | |
| 2572 | Horse Barn # 05 | 7,700 | | | 47,000 | |
| 2573 | Horse Barn # 04 | 15,500 | | | 358,000 | |
| 2575 | Horse Barn # 03 | 8,000 | | | 750 | |
| 2578 | Residence Campground 3 02 | 1,500 | | | \$ 100,000 | |
| 2579 | Depot Beer Garden / (West) | 1,200 | \$8,000 | | \$ 300 | |
| 2582 | Cheney Post Office-Heritage Village | 250 | \$5,500 | | \$ 3,000 | |
| 2583 | Cunningham School-Heritage Village | 600 | \$2,700 | | | |
| 2584 | Hudson Log Cabin-Heritage Village | 250 | \$2,000 | | | |
| 2585 | Roca Depot-Heritage Village | 600 | \$4,000 | | 5,500 | |
| 2586 | Restroom Midway D | 650 | \$16,200 | | 24,000 | |
| 2587 | Restroom Barn # 10-F | 1,000 | \$26,000 | | 23,000 | |
| 2589 | Restroom Dunham B | 1,200 | \$10,400 | \$ 600 | 197,100 | |
| 2590 | Restroom Campgrounds E | 700 | \$16,000 | | 4,000 | |
| 3091 | Game & Parks - Outdoor Aquarium | | | | | |
| 3092 | Game & Parks - Outdoor Alley | 600 | | | | |

Section B

| Bldg No. | Building Name | Ext'g GSF | ADA | Fire Life/Safety | Deferred Repairs | Energy Conservation |
|----------|--|-----------------------|------------------|--|--------------------|---------------------|
| 3094 | Game & Parks - Trappers Cabin | | | | | |
| 3095 | Game & Parks - Hunter Education | 3,000 | \$7,100 | | | |
| 3097 | Game & Parks - Duck Blind | | | | | |
| 3098 | Game & Parks - Fish Aquarium | 3,200 | | | | |
| 3354 | Generator shed / Welding shop | 960 | | | | |
| 3355 | Morton Storage | 1,620 | | | | |
| 3356 | Morton Office bldg. | 2,160 | | | | |
| 3612 | Lancaster Building | 21,000 | | \$ | 2,000 | |
| 3613 | East Beer Garden & restrooms | 4,800 | | | | |
| 3775 | Youth Complex-Office/Classroom | 13,000 | | \$ | 50,000 | |
| 3776 | Youth Complex - concessions | 2,500 | \$8,000 | \$ | 2,000 | |
| 3777 | 4-H Barns / Youth Complex - small animal | 41,946 | | | | |
| 3779 | Beef Pit | 6,000 | \$20,400 | | | |
| 3781 | Princeton Bank | 500 | | | | |
| | TOTALS (Exclusive of Arch/Eng Fees) | 609,165 | \$923,300 | \$1,116,600 | \$2,927,150 | \$ 163,000 |
| | | Grand Total | | \$5,130,050 | | |
| | | | | Contingency, Design & Inflation x 20% | | |
| | | Adjusted Total | | \$6,156,060 | | |

Source: Nebraska State Fair Staff, Olsson Associates, Sinclair Hille Architect

7. Aging Infrastructure

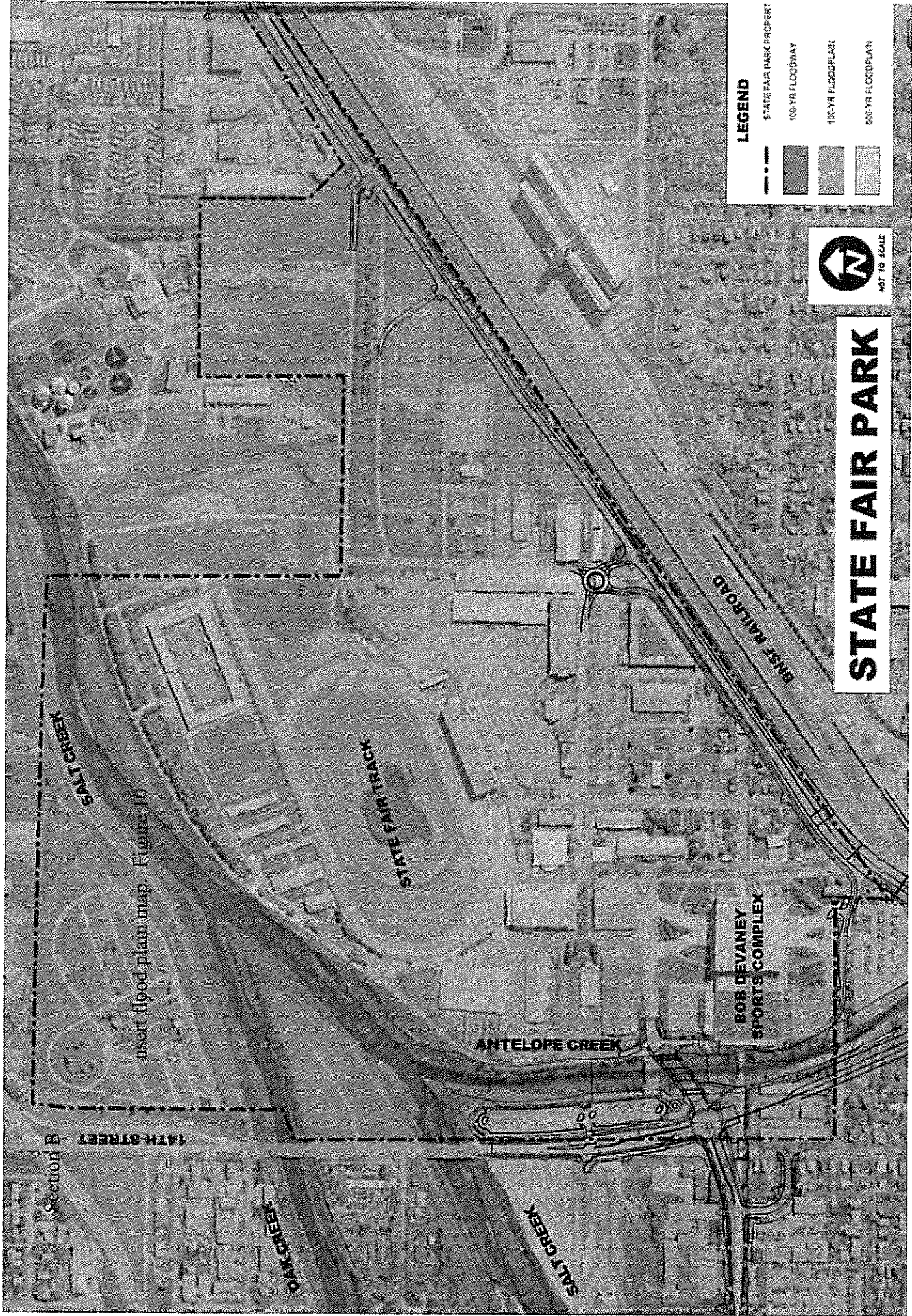
Besides problems with building condition and maintenance, the infrastructure (roads, sidewalks, water, sewer, and electrical) needs updating. Because of the age, these utilities and facilities will start failing if not replaced or updated soon. The most serious infrastructure deficits lie with the street, sidewalks and pedestrian ways. State Fair Board has not undertaken a detailed inventory, inspection and testing of the infrastructure items. However, based upon the State Fair Park's engineers (Olsson Associates) familiarity with the utilities and pavement, Olsson Associates estimates the infrastructure replacement value at \$8.8 million and an infrastructure depreciation value of only \$2 million. For a more detailed breakdown of Olsson Associates analysis of the infrastructure needs, see Appendix 5.

8. Site Limitations

Over 64% of State Fair Park is located in the designated 100-year floodplain. See Figures 9 and 10. Many of the existing structures are at an elevation which subjects them to flooding. The flooding threat makes rehabilitation and improvements difficult. The open space lands located in the floodplain appear to have little development potential. The present flood plain policy only allows 30 percent of the 160 flood plain acres to be filled. The Mayor's Stormwater Task Force has proposed tougher flood plain fill standards which equate into "no net rise" and "no net loss of flood storage" standards.

| Amount of Flood Plain Lands At State Fair Park | | |
|---|--------------|-------------------|
| Figure 9 | | |
| Flood Zones (See Figure10) | Acres | Percentage |
| Within the designated 100 year floodplain | 160 | 64% |
| Within the designated 500 year floodplain | 52 | 21% |
| Outside a designated floodplain | 39 | 15% |
| Total | 251 | 100% |

Source: Sinclair Hille Architects



insert flood plain map. Figure 10

9. Specific State Fair Challenges

- Corporate farming is slowly replacing family farming. Corporate farming has less need for a State Fair.
- Other than the Ice Box and a small number of other brick buildings, most of the State Fair buildings are simple metal buildings in need of major capital repairs. There are very few “sacred cows” worthy of rehabilitation.
- 9/11 or security issues have not had a major impact on the State Fair.
- The current State Fair dates are in direct conflict with the Lincoln Public School year and often compete with two Saturday University home football games in a row. Often the University’s football game kickoffs times are moved around at the last moment, making State Fair events difficult to schedule.
- New State Fair Board members are very good, but still deciding what they want in a State Fair.
- Present State Fair entrances are poor. The main fair events cannot be seen from the entrance points.
- Exhibit space is too spread out.
- Beer drinking is restricted to beer gardens only. Iowa State Fair annually grosses \$1 million on beer sales compared to \$130,000 for the Nebraska State Fair. Iowa State Fair permits a patron to drink throughout the fair campus, except for certain buildings. There is also a potential revenue loss from the inability to sell beer at Devaney Center concerts.
- Grandstand events can be too noisy to hold simultaneous events in the Open Air Auditorium.
- Other key state fairs have also lost farm equipment shows and events, yet their attendance has not diminished.
- Other successful state fairs have “partnered” more successfully with various businesses and nonprofit sectors.
- 80% of the state fairs around the country appear healthy and growing, particularly with off-season events; approximately 10% of the state fairs are flat and stagnant; and 10% of the fairs appear to be experiencing downward trends. Both South Dakota and Michigan State Fairs are experiencing difficulties. Some policy makers are considering privatizing the state fair.
- Compared to other states, there appears to be less of a state recognition, pride and/or celebration associated with the Nebraska State Fair.

10. Specific Horse Racing Challenges

- Over the last two decades horse racing nationwide has been trending downward. While appearing to plateau the last several years, there still appears to be uncertainty on the long term economic viability of horse racing.
- Citizens want more instant gratification—horse racing takes too long (15 minutes between races). While, slot machines for example, offer instant gratification. It is too hard or people are too impatient to study the racing forms.
- The older generations are still steady patrons of horse racing, but the young generation is not as accepting.
- There is no state law that requires a State Fair. There is a statutory provision requiring 31 days of live racing at the State Fair Park.
- Live racing is not a bright picture because of the large associated expenses and the competition for consumer entertainment choices.
- Simulcast horse racing appears to be more profitable than live horse racing, but State statute and economic relationships do not permit simulcast racing without live racing.
- State Fair Park's horse racing track is very small ($5/8^{\text{th}}$ of a mile) compared to the optimal one mile tracks. Omaha Horseman's track is $5/8^{\text{th}}$ of a mile. The longer race tracks allow more time for corrections of mistakes. A longer home stretch is more exciting. To increase track to one mile, the State Fair Park would need to acquire land from the City of Lincoln and the Grandstand would have to be relocated since the finish line would be shifted. If a one-mile dirt track is constructed, racing officials should consider constructing a grass track ($7/8^{\text{th}}$ of a mile) within the one mile dirt track.
- Smaller race tracks (like the present size of State Fair Park) are slowly disappearing.
- The Grandstand capacity is 5,000. Approximately 1,300 patrons attend on a "good" live horse racing day. The present Grandstand is in need of repair and appears to be too big to operate and to heat. Informed sources suggest State Fair Park needs a up-to-date 50,000 square feet grandstand/simulcast betting facility at a cost of approximately \$8 million.
- Some racing officials estimate a new grandstand/simulcast betting facility at State Fair Park may generate up to 50% more horse racing revenues. Other horse racing officials acknowledge that a new facility would increase horse racing revenues, but not by 50%. A detailed analysis would need to be carried out to verify that the additional capital cost for a new facility could be funded or amortized with the expected increase revenues.
- A nicer horse racing facility with barns could produce synergism to develop a regional multipurpose equestrian facility.

Section B

- Many other race tracks across the country are permitting other forms of expanded gambling to replace reduced horse racing revenues.
- Car racing has been historically successful at State Fair Park, but was not successful in 2001. The track and Grandstand are not large enough for NASCAR racing events.

11. Specific Off-Season Event Challenges

- Tradeshow and off-season events are rapidly growing at other state fairs across the nation, but not at State Fair Park.
- Lincoln's air traffic service is a concern for this type of business.
- Attracting the lower end "flea" market shows with inconsistent quality can hurt the State Fair's image.
- Most attendees of off-season events reside in Lancaster County.
- Most off-season events are hard to find within the State Fair grounds.
- Only two buildings are desirable to rent for off-season events (Ag Hall and Lancaster) but only Ag Hall is air conditioned.
- Streets within State Fair Park are not named. Need better signage.
- Marketing budget needs to be increased.

Section C. The Opportunities

C1. Economic Impact Study

A recent Economic Impact Study (October 2003), prepared by Charles Lamphear, estimated State Fair Park generates a total direct and indirect economic impact of \$27.8 million in 2003. Based upon operating and patron expenditures for the State Fair, horse racing and off-season events, the direct impact equaled \$11.2 million. The estimated indirect impact totaled \$16.6 million or a 2.48 economic multiplier effect. In other words, for every one dollar of direct operating and patron expenditures, an additional \$1.48 of indirect business revenue are generated in the Lincoln and surrounding communities economies.

Based upon the expenditures for operations and patrons, the Study allocates the \$27.8 million economic impact between the following programming areas:

| Economic Impact Study | | | |
|------------------------------|-----------------------|------------------------|-------------|
| | Expenditures | Economic Impact | % |
| State Fair | \$4.2 million | \$10.4 million | 37% |
| Horse Racing | \$6.0 million | \$15.0 million | 54% |
| Off-Season Events | \$1.0 million | \$4 million | 9% |
| Total | \$11.2 million | \$27.8 million | 100% |

Source: Nebraska State Fair Park and State Fair Contribute \$30 Million to Lincoln's Economy (October 2003), by Charles Lamphear

While the Economic Impact Study was completed rapidly, and therefore, subject to further refinement and scrutiny, the economic impact numbers are very large to Lincoln and to the State.

C2. State Fair Has Many Strengths

Some of the identified strengths of the State Fair include:

- Professional and dedicated staff
- Managed by a talented State Fair Board
- Close proximity to Downtown and tourist attractions (e.g., Historical Museum, Morrill Hall)
- Mature trees
- Kids Zone
- Birthing Pavilion
- Free entertainment
- Alligator wrestling
- Tractor pulls

- Good midway operator (same as Iowa State Fair)
- Successful Latino Festival
- Updated midway electrical power grid

C3. Antelope Valley Projects

Three governmental partners -- The City of Lincoln, University of Nebraska -- Lincoln, and the Lower Platte South Natural Resources District have jointly approved a set of transportation, stormwater and community revitalization improvements. The approved Antelope Valley Projects are estimated to cost approximately \$225,000 million (2001 dollars). When completed in six to ten years, the Antelope Valley projects will enhance the State Fair Park access, travel time, visibility, and aesthetics.

The new six lane east-west and north-south roadways will allow patrons to safely go over the Burlington Northern Santa Fe railroad tracks and avoid the present day travel delays which amount to 5 hours out of every 24 hours. The new overpass bridge is scheduled to start construction in 2004. A new aesthetic waterway abutting the west boundary of State Fair Park started construction in 2003. The new waterway will provide an attractive new look along the west edge of State Fair Park. The new waterway will also include a hiker/biker trail which will directly link State Fair Park to six of the City's major trail routes. The new roadways will eliminate the two at-grade railroad crossings on N. 14th and N. 17th Streets and the sometimes used N. 17th Street State Fair entrance. The north-south roadway will enable a more dynamic "front door" entrance along N. 14th Street and Military Road, northwest of the Devaney Center. The east-west roadway will also create two new entrance points along the south border of State Fair Park. The community redevelopment projects will strengthen the surrounding downtown and residential areas with new research and development, retail, services and housing. It is very important to State Fair Park's viability that the City and other two Antelope Valley partners complete the Antelope Valley projects as soon as possible.